

Attorney Docket No. 046700-5003

IN THE TITLE

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Please rewrite the Title at page 2, lines 1-2, to read as follows:

**METHOD AND SYSTEM FOR CONDUCTING ELECTRONIC AUCTIONS
WITH NET PRESENT VALUE BIDDING**

IN THE SPECIFICATION

Please delete the paragraphs starting at page 7, line 10 and continuing until page 8, line 4.

Immediately under the Summary of the Invention heading at page 7, line 9, please insert the following:

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A buyer first defines a lot of products sought to be purchased. The lot of products includes individual line items, one or more of which are sought to be purchased. Based upon the lot specification, participating suppliers submit bids each of which corresponds to a series of payments over time. Each series of payments is then converted into a total net present value (NPV) bid. In one embodiment, bid information for each contract segment of a multi-segment contract is used to determine a total NPV bid. For example, bid information for each year of a multi-year contract is used to determine a total NPV bid. The total NPV bid represents a sum of a series of payments over multiple contract years, which are discounted to a present value using a predefined discount rate structure. NPV bid information received from all of the participating suppliers is fed back to each of the participating suppliers.

Please delete the paragraphs starting at page 8, line 20 and continuing to page 8, line 22.

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Immediately after the paragraph that ends on page 8, line 19, please insert the following:

Fig. 5 illustrates multi-year annual percentage discounts.

Fig. 6 illustrates the calculation of a total net present value bid using the base year bid, the quantity, and the annual-percentage discounts.

Fig. 7 illustrates a net present value bid history graph.

Fig. 8 illustrates a net present value bid history table.

Please rewrite the paragraph starting at page 8, line 25 and continuing to page 9, line 2, to read as follows:

Reference will now be made in detail to the preferred embodiments of the present invention, examples of which are illustrated in the accompanying drawings. The present invention described below extends the operation of the inventive auction system and method described in greater detail in co-pending Application No.09/252,790, entitled "Method and System for Conducting Electronic Auctions," filed February 19, 1999, now U.S. Patent No. 6,230,146 entitled "Dynamic Overtime Extensions," the disclosure of which is hereby expressly incorporated in the present application.

Please rewrite the paragraph starting at page 10, line 13 and continuing to page 10, line 17, to read as follows:

A generic transformation mechanism is illustrated by a function (f) that is operative on input variables (x) and ($a_1..a_n$). Input variables ($a_1..a_n$) represent

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non-comparative bid parameters, while input variable (x) represents a supplier comparative bid parameter (e.g., price). The output of bid transformation is the buyer comparative bid parameter (y).

Please rewrite the paragraph starting at page 10, line 24 and continuing to page 11, line 2, to read as follows:

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In the generic description of the transformation process, two types of comparative bid parameters exist. A buyer comparative bid parameter (y) refers to a parameter, resulting from the transformation process, upon which the buyer will compare competing bids. A supplier comparative bid parameter (x), on the other hand, refers to an input to the transformation function (f). As will be described in greater detail below, the supplier comparative bid parameter can be used by a supplier to compare competing bids in the supplier's context. In some applications, the supplier comparative bid parameter is not used because all parties may be allowed to view the auction in the buyer's context.

Please rewrite the paragraph starting at page 11, line 9 and continuing to page 11, line 21, to read as follows:

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Alternatively, the transformation process can use multiple non-comparative bid parameters to create a buyer comparative bid parameter. In this case, no supplier comparative bid parameters are used to create supplier specific views. All parties view the competition in the same context. An example of this scenario is net present value (NPV) bidding, where parameters specifying multi-year contracts are converted into a total NPV bid. The total NPV bid represents a sum of a series of payments over multiple

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C1 cont contract years, which are discounted to a present value using a predefined discount rate structure.

Immediately before the paragraph that begins on page 11, line 22, please insert the following:

Fig. 5 illustrates multi-year annual percentage discounts. As noted above, bidding typically occurs on the lot level, with the suppliers specifying the pricing of individual line items. Individual line items are defined by columns 510, 520, 530, and 540, which specify the line item number, the part number, the quantity of the item per year, and the bid price per unit, respectively. In the example of Fig. 5, each of the line items in the lot of products is specified in column 550 as having a term length of 4 years.

C8 The percentage discount rates for each of the individual years are listed in sub-columns 561-563 where appropriate. Consider line item number 1. Line item number 1 defines a four-year term for the supply of 50,000 units per year at a price of \$10/unit. The cost of the first year of the supply contract is therefore \$500,000. Sub-columns 561, 562, and 563 specify the percentage discount rates for Year 2, Year 3 and Year 4 of the supply contract, respectively. The discount rates of 5%, 4%, and 3% are shown for Year 2, Year 3 and Year 4 of the supply contract, respectively. Columns 610, 620, 630, and 640 of Fig. 6 include the information of columns 510, 520, 530, and 540 of Fig. 5. As shown in columns 651, 652 and 653 of Fig. 6, for line item #1, the 5% discount for the second year of the contract yields a cost of \$475,000, the further 4% discount for the third year of the contract yields a cost of \$456,000, and the further 3% discount for the fourth year of the contract yields a cost of \$442,320.

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In the present invention, the cash flow pattern over multiple contract years is translated to a net present value based upon a defined percentage discount rate structure. In the example of Fig. 6, column 650 includes data for each year of the contract. The value for Year 1 of the contract for a particular line item corresponds to the quantity per year value of column 630 multiplied by the bid price per unit value of column 640. For example, the payment for Year 1 of the contract for line item #1 would be 50,000 units X \$10/unit = \$500,000. The payment for Year 2 of the contract for line item #1 equals \$500,000 (i.e., the payment for Year 1) multiplied by $(1 - 0.05)$ (i.e., the discount rate for Year 2) = \$475,000; the payment for Year 3 of the contract for line item #1 equals \$475,000 (i.e., the payment for Year 2) multiplied by $(1 - 0.04)$ (i.e., the discount rate for Year 3) = \$456,000, and the payment for Year 4 of the contract for line item #1 would be \$456,000 (i.e., the payment for Year 3) multiplied by $(1 - 0.03)$ (i.e., the discount rate for Year 4) = \$442,320. The multi-year data generated in columns 651-654 is then converted into a NPV bid using a predefined discount rate. In the example of Fig. 6, the NPV value for each line item in column 660 equals the sum of the Year 1, Year 2, Year 3 and Year 4 values for that line item discounted to a net present value using a predefined discount rate of 8%. The summation of the individual line item NPV values in column 660 yields a total NPV bid for the lot of products.

The NPV bid history graph of Fig. 7 is a graphical illustration of the value and timing of the NPV bids that have been submitted. The NPV bid history table of Fig. 8 is a listing of the NPV bids in descending numerical order. The total NPV bid of \$7,376,916 calculated in Fig. 6, corresponds to the bid by Supp City Corp. that was submitted at 1:31 PM as shown in Fig. 8. This bid is reflected by point 701 in the NPV bid history graph of Fig. 7.

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Please rewrite the paragraph starting at page 16, line 1 and continuing to page 16, line 8, to read as follows:

C9 The \$/ton bid for a supplier is referred to as the supplier comparative bid parameter. The supplier comparative bid parameter is one of the inputs into the transformation function (f). The supplier comparative bid parameter is significant because it enables the supplier to view the auction competition in his own context. In other words, a supplier can view all competing bids as if all suppliers were offering the same type of coal for sale. In this manner, a supplier can view the competitive auction landscape without receiving any information concerning the transformation function that has been defined by the buyer.

Please rewrite the paragraph starting at page 16, line 22 and continuing to page 16, line 27, to read as follows:

C10 After the client component at Supplier A receives the detransformed bid values, Supplier A is then able to view a relative comparison of the bids in his own context. This relative comparison corresponds to the relative comparison of the bids in the buyer context. In this example, it is assumed that Supplier A's multiplicative and additive factors are, $m = 0.87$ and $b = 80$, respectively.

Please rewrite the paragraph starting at page 16, line 28 and continuing to page 17, line 6, to read as follows:

C11 Supplier A can view the competitive climate of the auction without having access to any of the details of the transformation function (f) implemented by the buyer. From

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cont

Supplier A's perspective, all other suppliers are bidding the same type of coal.

Competition is therefore perceived as being based on the \$/ton price, not the ¢/Million BTU price. If Supplier A decides to beat the market leading bid, Supplier A would simply reduce his \$/ton bid and submit the new bid (e.g., bid of \$17.01/ton bid at 01:25:28) to the auction server. The new \$17.01/ton bid would then be transformed into a 94.8 ¢/Million BTU bid, i.e., $0.87 \times 17.01 + 80 = 94.8$ ¢/Million BTU, using the multiplicative and additive adjustments for Supplier A.

Please rewrite the paragraph starting at page 17, line 7 and continuing to page 17, line 13, to read as follows:

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In a similar manner, Supplier B can also view the competitive climate of the auction without having access to any of the details of the transformation function implemented by the buyer. In this example, it is assumed that Supplier B's multiplicative and additive factors are, $m = 0.81$ and $b = 82$, respectively. In Supplier B's view, Supplier A's new bid of \$17.01/ton (or 94.8 ¢/Million BTU) at 01:25:28 is fed back to Supplier B as a \$15.80/ton bid, i.e., $(94.8 - 82) / 0.81 = \$15.80/\text{ton}$, using Supplier B's multiplicative and additive parameters.

Please rewrite the paragraph starting at page 17, line 14 and continuing to page 17, line 22, to read as follows:

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The present invention enables each supplier to view the auction in his own context. These buyer-specific and supplier-specific contexts enable the system to create a coal auction market without revealing confidential information to the suppliers. The creation of an online electronic auction greatly benefits the buyer by allowing the buyer